

**GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT**

PPMU- APWSIP- (P100954) – Loan 7897-Procurement of Consultants Consultancy Services for Internal Audit of Andhra Pradesh Water Sector Improvement Project – Constitution of Review Committee for selection, finalization and effective implementation of the said consultancy – Orders- Issued.

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**IRRIGATION & CAD(IW.EA) DEPARTMENT**

**G.O.Rt.No. 1084**

**Dated: 11-11-2013.**

**Read:**

From the Project Director, PPMU, APWSIP, Hyderabad Lr.No. PD/PPMU/ APWSIP/HYD/Proc.Unit/AEE-1/F-1109/ Vol.I/ 1805 PD, dated: 20.12.2012 & 07.01.2013.

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**ORDER:**

In the reference read above, the Project Director, PPMU, Andhra Pradesh Water Sector Improvement Project, has furnished the proposals to constitute a Review Committee for the purpose of short listing, evaluation, awarding and for effective implementation of the consultancy services for Internal Audit of Andhra Pradesh Water Sector Improvement Project and also to monitor, review and approve the performance of the consultants and provide necessary advice/mid course correction where necessary.

2. Under the circumstances reported by the Project Director, PPMU, APWSIP, Government after careful consideration of the proposal, hereby constitute the “Review Committee” with the following composition for short listing, evaluation, awarding and for effective implementation of the consultancy services for Internal Audit of Andhra Pradesh Water Sector Improvement Project and also to monitor, review and approve the performance of the consultants and provide necessary advice/mid course correction where necessary:-

- |  |                      |
|--|----------------------|
| 1. Project Director, PPMU, APWSIP.                 | Chairman             |
| 2. Joint Secretary (internal Audit) Finance Dept., | Member               |
| 3. Chief Engineer, Nagarjuna Sagar Project.        | Member               |
| 4. Superintending Engineer, PPMU, - APWSIP.        | Member               |
| 5. Finance Manager, PPMU- APWSIP.                  | Member –<br>Convener |

3. The terms of references for the Review Committee is annexed to this order.

4. The Project Director, PPMU, APWSIP, Hyderabad, is requested to send the proposal to the Government, before awarding of contract for consultancy services for further examination by the Finance (W&P) Department.

P.T.O

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5. This order is issued with the concurrence of Finance (W&P) Department, U.O.No.255/F2(A1)/13-2, dated:14.02.2013.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**ADITYA NATH DAS  
PRINCIPAL SECRETARY TO GOVERNMENT**

To

The Project Director, PPMU,  
AP Water Sector Improvement Project,  
4<sup>th</sup> Floor, Jalasoudha,  
Errumanzil, Hyderabad. (w.e)

The Joint Secretary(Internal Audit)  
Finance Department,  
A.P., Secretariat,  
Hyderabad (w.e) (Through Project Director, PPMU,APWSIP)

The Chief Engineer,  
Nagarjunasagar Project,  
camp office,Jalasoudha, Errumanjil, Hyderabad. (w.e)  
(Through Project Director, PPMU,APWSIP)

The Superintending Engineer, PPMU, APWSIP, 4<sup>th</sup> Floor, Jalasoudha,  
Errumanzil, Hyderabad (w.e) (Through Project Director, PPMU,APWSIP)

The Finance Manager,PPMU, APWSIP  
4<sup>th</sup> Floor, Jalasoudha,  
Errumanzil, Hyderabad. (w.e) (Through Project Director, PPMU,APWSIP)

**Copy to:**

PS to Minister(M & MI).(w.e)

PS to all Principal Secretaries in I & CAD Department (w.e)

The Finance (W&P) Department (w.e)

**// FORWARDED BY ORDER//**

**SECTION OFFICER**

**Annexure to G.O.Rt.No. 1084, IRRIGATION & CAD(IW.EA)  
DEPARTMENT, DATED: -11-2013.**

**Terms of Reference for consultancy services for Internal Audit of  
Andhra Pradesh Water Sector Improvement Project**

**1. INTRODUCTION**

Government of Andhra Pradesh (GoAP) is implementing Andhra Pradesh Water Sector Improvement Project (APWSIP) with World Bank financial assistance with a view to utilize the Project as a strategic opportunity to broaden/ deepen state wide sector reforms, and also to develop a modern and sustainable irrigation/ multi-purpose scheme management model, to be used in other projects in the state.

**Objectives of APWSIP:** The proposed APWSIP aims to (i) improve irrigation service delivery on a sustainable basis to increase productivity of irrigated agriculture in the Nagarjuna Sagar Scheme command in the state of Andhra Pradesh in India, and (ii) strengthen the state's institutional capacity for multisectoral planning, development and management of its water resources.

**Components of APWSIP:** The proposed project has four components:

- (a) Component A: Improving irrigation service delivery and management in Nagarjuna Sagar Scheme:** This component would support five sub components in Nagarjuna Sagar Scheme which has a command area of about 0.9 million hectares: A1: participatory rehabilitation and modernization of irrigation system, A2: dam safety works, A3: fostering and capacity building of Water Users Organizations, A4: improved water management practices and A5: social and environmental management plan.
- (b) Component B: Agricultural Component** this component would support six sub components in the Nagarjuna Sagar Scheme B1: field crops; B2: horticulture crops; B3: livestock production; B4: fish production; B5: adaptive research and B6: market led extension.
- (c) Component C: Water sector institutional restructuring and capacity building:** This component would support six sub components: C1: establishment, operationalization and fostering of Andhra Pradesh Water Resources Regulatory Commission, C2: restructuring and capacity building of Irrigation and Command Area Development, C3: Strengthening and capacity building of Water and Land Management Training Institute, C4: integrated computerized information system, C5 users centered aquifer level ground water management pilot and C6: conjunctive use of surface and ground water pilots in Nagarjuna Sagar Scheme.
- (d) Component D: Project management:** This component would support three sub components: D1: project preparation and management unit (PPMU), D2: project monitoring and evaluation, and D3: information, education, and communication program.

**2. IMPLEMENTATION OF THE PROJECT**

The Project is implemented under the oversight of the Irrigation and Command Area Development Department of the Government of Andhra Pradesh. The Principal Secretary to Government / Secretary to Government in-charge of APWSIP review the implementation of the Project periodically and issues suitable directions to the Project Director (PD), PPMU to facilitate smooth implementation of the project.

The overall implementation of the components of the project will be the responsibility of the Project Director. He takes all necessary steps for implementation of the project works as per the stipulated program and obtains necessary instructions/clarifications from the Government as and when required. He monitors and conducts monthly review on progress of works and submits report to the government in I&CAD Department.

The Irrigation & CAD Department, Agriculture Department and Groundwater Department are the main executing departments.

The work under component A of the project will be carried out by the I&CAD in close association with the Water User Organizations.

For the component B, Agriculture Department will be the main implementing agency and would work in close coordination with other line departments (Fisheries, Horticulture, Animal Husbandry, ANGRAU, APLDA, SAMETI).

Implementation of the activities under the component C would be undertaken by I&CADD, Ground Water Department, WALAMTARI.

The activities under component D will be carried out by the Irrigation Command Area Development Department with the help of the consultants.

At the field level, the Executive Engineers of the divisions of the Irrigation and Command Area Development Department are responsible for the works portion of the project implementation. The District heads of the other line Departments (Agriculture, Horticulture, Fisheries etc) will be responsible for implementation of the respective sub-components.

### **3. FUND FLOW ARRANGEMENT**

Funds from the World Bank will be made available to the Government of India under the back to back arrangements between the GOI and the State. The Bank will provide an initial advance in the Special Account to be opened in the Reserve Bank of India and the Government of Andhra Pradesh will make a budget allocation each year for the project against which the Project divisions will receive authority to incur expenditure in the form of authorization/Letters of Credit (LoC). Subsequent disbursements to the Special Account will be on the basis of Interim Unaudited Financial Reports (IUFR), based on Bank's share of eligible Project expenditure. These reports will be based on the expenditure reflected in the monthly compiled accounts received from the Pay and Accounts Officers (PAOs)/District Treasury Officers. Disbursements could be monthly or quarterly basis depending on the pace of expenditure and requirements of the project.

### **4. ACCOUNTING PROCEDURES**

Accounting for the project is maintained following standard codes and AP Public Works Department Code. The standard governmental Chart of Accounts for the I&CAD Department (with additional budget heads/sub-heads), are used to book the expenditure incurred. Books of accounts will be maintained under the standard Government

Accounting Systems and monthly accounts will be compiled by the PAO on the basis of expenditure vouchers at the Divisions and rendered to the Accountant General (AG).

## **5. PROCUREMENT PROCEDURES AND PROJECT PROCUREMENT ARRANGEMENTS:**

Procurement of all goods, works and services will be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004, revised October, 2006 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October, 2006 (Consultancy Guidelines) and the agreed procedures described in the Legal Agreements.

The procurement for goods and works will be done using the Bank's Standard Bidding Documents (SBD) for ICB and updated NCB model document. For all consultant procurement, the Bank's Standard Request for Proposal (SRFP) document and pertinent Form of Contract shall be used.

For each contract to be financed by the Loan, procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank project team in the Procurement Plan Prepared by the Project. The Procurement Plan, inter-alia, includes procurement for the first 18 months of the project implementation. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

PPMU, inter-alia will be responsible to review and clear all civil work contracts to be awarded by any agency under the project and irrespective of whether these are below or above prior review thresholds agreed under the Procurement Arrangements for the project, in order to ensure adherence to the agreed procedures.

## **6. ACCOUNTING CENTRES**

The following two accounting centers (units) keep books of accounts and records for all receipts and payments.

- i. PPMU-APWSIP at state level.
- ii. Division/District Office, Pay and Accounts Office

## **7. OBJECTIVES OF INTERNAL AUDIT**

The Objective of the internal audit is to provide the project management timely fiduciary assurance that the (i) financial management, procurement systems and internal control procedures as applicable to the project are being adhered to by the various implementing units (ii) The financial reports being submitted to the PPMU are in agreement with the books of account and can be relied upon to support the disbursement made by the Bank.

## **8. PERIODICITY**

Internal Audit shall be conducted on quarterly basis, preferably within 45 days from each quarter ending. The commencement date of each audit shall be after notification to & confirmation of the same from client.

## **9. SCOPE OF THE ASSIGNMENT**

- A. The Internal Auditor will undertake a **Quarterly internal audit review** of the Project and provide an opinion on the matters listed below. The Audit would include the review and assessment of both financial management and operational controls of the project. The Consultants' activities shall follow the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors. The assessment should take into account the risks of not meeting the project's development objectives, and would involve, inter alia, the review of the following:

### Financial Audit:

- i. Relevance, efficiency and effectiveness of the internal control system for the Project.
- ii. The extent and degree of compliance to prescribed rules and procedures, as spelled out in the loan agreement, Project Appraisal Document and other pronounced policies and procedures of PPMU and guidelines of World Bank for the implementation of the Project.
- iii. Efficiency and effectiveness of funds control, its recording and reporting system and its consistent compliance with prescribed accounting and auditing rules, policies and procedures, and Government regulations.
- iv. Extent and degree of transparency and accountability on financial transactions.
- v. Adequacy and effectiveness of the payment verification system; and an independent check that payments are based on acceptable accounting evidence and genuine documentary trails through the following internal audit procedures:
  - a. Verification on the completeness of documentation for expenditures covering payment vouchers, and that there is a rigorous check on document trails for accounting evidence (genuine document) on random basis.
  - b. review of supports evidencing the completion of the project/output,
  - c. confirmation of payments to third parties performing services under the project.

### Procurement Audit:

- i. To ascertain whether procurement of Works, Goods and Consultancy services are carried out as per agreed World Bank procurement guidelines, procedures and arrangements as described at paragraph 5 above. The agreed arrangements for project procurement require compliance with procedures and guidelines and are governed by Loan Agreements. The Bank reviews procurement (works, goods and consultancy) of values over a specified threshold, at several stages prior to the contract award. However, contracts of value below the thresholds are post reviewed and comments are provided to the PPMU for ensuring future compliance. The Audit will also cover the

implementation aspects of the Post Review findings and agreements.

B. To ensure the proper execution of the services, the consultant shall:

Financial Audit:

- i. Adopt and undertake risk assessment reporting. Conduct a **preliminary baseline assessment** (within one month of the Firm's mobilization) to cover the status of internal control in place, identifying the prevailing weaknesses and the actions underway to address them with a time bound action plan.
- ii. Issue an assessment report/ inception report and submit it to the Project Director, PPMU-APWSIP.
- iii. Based on the inception report, the consultant shall prepare a work plan and program for internal audit which will cover the scope, approach, staffing, details on substantive checking and risk approach.
- iv. Execute programs and prepare progressive reports on results and opinions.
- v. Provide competent and adequate staff to conduct the Internal Audit activities.
- vi. Ensure that the budgeting exercise annually based on project completion targets and designed to meet the Project development objectives.
- vii. Review and recommend appropriate documentation at all levels for expenditures undertaken.
- viii. Provide advice and suggest proper procedures for PPMU level accounting consolidation of expenditures, procurement statements, and monitoring for the PPMU how other implementing agencies collect and monitor expenditures at divisions and departments.
- ix. For the purposes of project audit; advising the PPMU in the preparation and consolidation of overall project financial statements. In addition, advising on reconciliation of Statement of Expenditure (SOEs) submitted with the details of contracts funded, relating to and covered under each of the SOEs, cross referenced with the Financial Statements i.e. Statement of Sources and Uses of Funds will be done.
- x. Advice and guide project implementing agencies to prepare management assertions where expenditures are disallowed or held to objection in AG audit reports.

Procurement Audit:

- i. Review the Procurement Plan quarterly for all levels and provide findings if the procurement is as per the agreed plan/ revised agreed plan and to advise PPMU as to the details of the deviations, if any. Exercise control on expenditures outside the procurement plan and ensure that these are as per the work plans submitted by the various implementing agencies. The Auditor will provide a detailed report for sharing with the Bank on their findings.

**10. SPECIFIC RESPONSIBILITIES**

Without any limitation to the generality of the scope associated to the nature of the internal audit function, the following are some of the specific terms of reference:

- i. To plan, organize and carry out the internal audit function including the preparation of an audit plan, scheduling and assigning work and estimating logistical requirements such that all implementing agencies and PPMU are covered under each annual audit cycle;
- ii. Rechecking of a sample of transactions to examine their processing, supporting documents, accounting and reporting steps;
- iii. Research, audit and analysis of technical transactions and financial models to resolve questions and validate data; assuring fiscal accountability and fund integrity for all transactions, allocations, distributions, and documentation;
- iv. Review of source documents for compliance to rules and regulations, and proper handling of financial and technical transactions;
- v. Audit of financial information system database; checking and verification of expenditures, billings, collections, journal entries and fund balance;
- vi. Monitoring of compliance with generally accepted accounting principles and procedures applicable under the Financial Management Manual developed for the project;
- vii. Maintenance of professional competence in auditing and accounting principles and techniques; reviews and application of new or revised laws, regulations, and accounting standards.
- viii. Preparation of comprehensive written reports that provide a perspective to the project management about the level of controls;
- ix. Reporting to the Project Management the material observations on the policies, schemes and activities of the project;
- x. Recommending changes in policies or procedures to increase efficiency of operations or to improve safeguards over assets;
- xi. Making recommendations on the systems and procedures being reviewed, report on the findings and recommendations **and monitor management's response and implementation;**
- xii. **Follow-up to determine adequacy of corrective actions;**
- xiii. Reviewing the accuracy, timeliness and relevance of the financial and other information that is provided for project management;
- xiv. Value for money reporting on utilization of funds; that the project obtains in all its schemes with special regard to economy, efficiency and effectiveness;
- xv. Expression of an opinion on the internal controls in the project;
- xvi. Other internal audit activities as may arise.

## **11. CODE OF ETHICS**

Following the Code of Ethics issued by the Institute of Chartered Accountants of India, the Internal Auditing firm is expected to maintain the highest standards of:

- i. **Integrity:** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- ii. **Objectivity:** Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.



- iii. **Confidentiality:** Internal auditors respect the value and the ownership of information they received and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- iv. **Competency:** Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

**12. COVERAGE AND TIMING OF THE INTERNAL AUDIT**

The internal Audit would cover all the project activities on a concurrent (quarterly basis). The Internal Audit would do a sample selection of divisions and cover offices of Line departments involved in the project. The assignment will be for a period of 48 months to undertake the audit of PPMU & all divisional offices/circle offices of Chief Engineer, Nagarjuna Sagar Project and district units of line departments involved in project implementation. The project would prepare a time schedule indicating the coverage and timing of internal audit in consultation with the consultant.

The internal auditors shall take up the audit of the project for the year 2011-12 and submit the consolidated internal audit report within three months from the commencement of consultancy in addition to quarterly concurrent audit for the financial years from 2012-13 to project end.

**13. DURATION OF CONSULTANCY:** The duration of the consultancy is 48 months. The consultancy will cover two financial years ie 2012-13 and 2013-14 and will also complete the consolidated internal audit for the FY 2011-12.

**14. REQUIREMENT OF KEY PROFESSIONAL STAFF**

As the project is being implemented within the Government it is a pre-requisite that the key personnel should be familiar with General Financial and treasury rules & procedures and works accounting & LOC system, as well as government accounting and financial procedures.

The list of key personnel within the selected firm/organization whose CVs and experience would be evaluated is as follows.

1. Audit Manager	-	1
2. Audit Team Leader	-	2
3. Team member (Financial)	-	4
4. Team member (Procurement)	-	2

The required experience and the services to be provided by the Key staff are detailed below:

S. No	Key Professionals	Description of Services to be provided	Qualification and Experience
1	Audit Manager	Overall coordination & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant empanelled by the CAG with at least 15 years experience as a partner with expertise in the area of internal audit planning, execution and reporting. He should also have minimum five years experience in the field of Accounts and Audit of

2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with heads of offices at district/state units and reporting writing and finalization.	World Bank Aided Projects. Qualified Chartered Accountant empanelled by the CAG with at least 10 years experience in internal audit with ability to lead the team and interact with senior level Government officials. He should also have minimum five years experience in the field of Accounts and Audit of World Bank Aided Projects.
3	Team member (Finance)	Field level audit of WUAs & other departments including sample physical verification of activities/assets.	Person with graduate in commerce/ICWA/CA with 3 years experience in works accounting, procedures and PWD codes, budgets, treasury and financial rules of the Government, etc.
4	Team member (Procurement)	Procurement audit at PPMU/ Circle offices/Line Departments	Person with graduate in Civil engineering with 5 years experience in the procurement systems of the state and World Bank procurement processes.

#### **15. DATA, SERVICES TO BE PROVIDED BY THE CLIENT**

The Internal Auditor would be given access to all documents, correspondence and any other information relating to the project and deemed necessary by the Internal Auditor. The Internal Auditor should become familiar with the project and with the relevant policies and guidelines of GoAP and the World Bank(including those relating to procurement and financial management and reporting),The Internal Auditor would be provided copies of the Project Implementation Plan and Project Appraisal Document, agreement with consultancies and documentation related to other departments, if any, loan Agreement and Project Agreement with IBRD (including agreed minutes of negotiations): guidelines policies and procedures issued by project management and implementing agencies including Government Orders and Project Budget lines.

- i. Copies of various Acts and circulars issued by the GoAP in relation to the project
- ii. Interim unaudited financial reports for each quarter as submitted to the Bank for reimbursement
- iii. Any other information associated with the project as deemed necessary by the internal auditors
- iv. Financial books, records and vouchers at various implementing agencies and PPMU: Cash book; General ledger; Cheque issue register; Contractor register; Fixed asset register; Register of deposits; Journal book; Bill payment register;
- v. Procurement contracts/ agreements and contract management documents.

- vi. Physical works: Contractor bills and supporting documents, measurement books.
- vii. The consultant shall have to make his own arrangement for residential accommodation, transportation for communication, office equipment etc for his staff. The GoAP will not be responsible for providing these facilities.

## 16. DELIVERABLES OF THE CONSULTANCIES

- **Inception report:** The consultant shall submit Inception Report within a month from date of starting of work.
- **Quarterly Reports:** The consultants shall submit quarterly reports within 45 days from each quarter ending to PPMU in ten copies each through the authorized representative of the client. The report shall indicate the areas covered under audit, sample size, observations, risk profile and impact of the observations and recommendations. The report shall also monitor the action taken on all audit observations by the Project and drop the observation on satisfactory implementation of the suggested action.
- (annual audit report is the responsibility of the CAG, the internal auditors are expected to submit their quarterly concurrent reports)

## 17. PROCEDURE FOR REVIEW OF WORK DONE BY THE CONSULTANT

Reports of the consultant shall be reviewed by a review committee constituted with the following composition.

1. Project Director, PPMU-APWSIP	Chairman
2. Joint Secretary (Internal Audit) Finance Dept	Member
3. Chief Engineer, Nagarjunasagar Project	Member
4. Superintending Engineer, PPMU-APWSIP	Member
5. Finance Manager, PPMU-APWSIP	Member Convener

The review committee shall review the Inception Report and the Quarterly Audit Reports submitted by the consultants and the actions taken by various implementing agencies in addressing the deficiencies highlighted by the consultant in the reports and advise the Project Director of concerned region to take appropriate action.

A review committee meeting shall be held with the consultant's representatives to discuss and review the reports. Comments if any shall be intimated to the consultant within 15 days of submission of the reports. The Review Committee shall also review the implementing agency wise shortfalls pointed out by consultants in the reports and issue necessary instructions to the controlling officers.

**ADITYA NATH DAS**  
**PRINCIPAL SECRETARY TO GOVERNMENT**